THE POSITIVE CUP

Because coffee can have a positive impact

CREATING SHARED VALUE REPORT
2019 STATUS AND 2020 OUTLOOK
It is my privilege to write this introduction to our Creating Shared Value report in my new role as CEO of Nespresso. I am writing in the midst of the Covid-19 pandemic, which is affecting so many citizens around the world including our own employees, customers, suppliers, and the farmers who are integral to our AAA Sustainable Quality™ Program. My strong belief is that in times of emergency, companies like ours need to show conviction and action and I start this report by sharing my pride in the response to this crisis displayed by the people in our organisation. Many had to move immediately to remote working, often juggling childcare commitments with their professional responsibilities. I have seen the incredible dedication and agility of my colleagues. We have also worked with our NGO and supplier partners to find ways to support smallholder coffee farmers in places like Cauca, Colombia, as the virus spreads to rural areas affecting lives and livelihoods.

All of this sets our update report in context. At Nespresso, we believe that when it comes to sustainability, as in all aspects of business, talking is one thing but doing is everything. This report again sets out the work we are doing with our partners to make things happen and to improve the positive impact we can have on people’s lives and on the planet across our value chain. With this in mind, I would like to draw attention to a number of highlights.

Firstly, in a period of sustained low prices in international coffee markets, we were able to see that the AAA Program provided much needed economic resilience to especially vulnerable smallholder farmers and we were able to share data and intelligence with the IDH taskforce on Living Income for smallholders. In this area of “livelihoods” micro-economics, it will become increasingly important for us to innovate to ensure decent living and labour conditions in rural coffee communities into the future. I was especially proud to read of the first AAA farmers benefiting from our Farmer Retirement Savings scheme and being able to move into older age with dignity and financial security.

Secondly, we were pleased to host the 2019 Nespresso Sustainability Advisory Board in Switzerland, themed around the circular use of materials. Board members saw our capsule recycling and biogas operations first hand: an approach we promote worldwide to unlock the valorization of resources and to share the infrastructure we have established, in order to scale circularity solutions for portioned coffee.

Lastly, we heard the scientific community and UN organisations urging the private sector to curb carbon emissions and protect biodiversity from irreversible loss. Accelerating reduction efforts and increasing investments in nature will be necessary in the coming decade. The learnings from our agroforestry experience, the collaboration with IUCN and Cornell Laboratory of Ornithology, and other natural capital projects will be critical for building our climate and biodiversity roadmaps.

Next year, our report will fully conclude the 2014-2020 Positive Cup roadmap and we will share more detail of our plans and progress towards 2030. In the interim, we remain open to feedback, constructive criticism and new ideas. I invite you to find out more on our new digital platform, The Positive Cup Hub, where you can also share your comments.

Thank you for your interest in our work.

GUILLAUME LE CUNFF
CEO, NESPRESSO

Retired farmer Fabiola Giraldo De Garcia with her husband, benefiting from the retirement savings plan used by the Aguadas cooperative, Colombia
The Nespresso AAA Sustainable Quality™ Program expanded its scope to include organic coffee practices in an endeavour to promote regenerative agriculture. Launched in January 2020, as part of the Nespresso Professional range, the single origin Peru Organic becomes the flagship of this regenerative journey.

The prolonged period of low prices on the New York coffee exchange triggered exploration into the potential for establishing a “living income” for coffee producers. With the support of the Sustainable Food Lab, we actively contributed to an IDH global taskforce, leveraging our internal data to help define the living income gap.

Major coffee brands and trading companies joined forces to financially support the Cerrado das Aguas Consortium, an independent public-private platform seeking to safeguard biodiversity and water supplies in Brazil’s central highland plains. This 5-year commitment accelerates the work started in 2013 by Nespresso, and led by IUCN, to promote integrated actions in a watershed highly affected by climate change.

Beyond the Bean
Together with National Geographic, we captured stories of the extraordinary dedication and spirit of local farmers, shining a light on their achievements. Accessed via an online platform, Beyond the Bean illustrates how coffee can revive the local economy and why agroforestry protects farmers against climate change.

A new global sustainability platform was finalised, with major contributions from partners and other thought leaders. The Positive Cup Hub hosts detailed content on numerous topics, including our climate strategy and related actions.

Following Nestlé’s September pledge for a net-zero future, we began preparing for a ramp up in our carbon reduction and insetting actions.

First initiated in 2018, alongside Cornell University Laboratory of Ornithology, we continued monitoring birds in AAA farms. These can be experienced via 2 Instagram accounts: from San Ramon, Costa Rica and Jardin, Colombia. Beyond this, a 3-year scientific study aims to develop a scalable biodiversity progress index, measuring the level of socio-environmental sustainability of a landscape.

A new global sustainability platform was finalised, with major contributions from partners and other thought leaders. The Positive Cup Hub hosts detailed content on numerous topics, including our climate strategy and related actions.

Communication campaigns encouraging consumers to recycle continued, reaching 50 countries. The Caran d’Ache ballpoint pen 849 and the Velosophy bicycle acted as circular icons to illustrate aluminium’s infinite potential for recyclability.

A new global sustainability platform was finalised, with major contributions from partners and other thought leaders. The Positive Cup Hub hosts detailed content on numerous topics, including our climate strategy and related actions.
“73% of employees say they want the opportunity to change society, and nearly two-thirds of consumers identify themselves as belief-driven buyers.”

Edelman Trust Barometer, January 2020

Our main focus as a portioned coffee company is ensuring the sustainable production of coffee and aluminium and engaging consumers in the value of sustainable consumption. To achieve this, we need to mobilise everyone in our company, our partners and our consumers behind our sustainability agenda, and to continue innovating for further transformations.

WHAT ARE THE KEY HIGHLIGHTS

We continued engaging consumers in the benefits of sustainable practices, via 2 global awareness campaigns. The Beyond the Bean platform with National Geographic captured stories of AAA coffee farmers. The Second Life campaign demonstrated the circular use of aluminium – showcasing the Velosophy bicycle made from recycled capsules.

The deployment of sustainability activities in line with our 2020 plan continued. This included kickstarting a company-wide project to begin the process of designing our sustainability roadmap for 2030, incorporating a sustainability forum across all business functions and conducting our first quantitative employee survey.

WHAT HAPPENED IN 2019

We continued deploying sustainability activities in line with our plan, with investments broken down as follows: coffee operations including climate adaptation (51%), recycling activities (39%), management and engagement (10%).

The Nespresso Sustainability Innovation Fund (NSIF) invested over CHF 6.6 million into coffee projects in order to amplify operational impact, innovate new solutions and further engage with stakeholders. This brings the cumulative NSIF investment since 2013 to CHF 36.6 million, in turn leveraging CHF 32.2 million from organisations like the World Bank, IDH, Blue Marble, as well as the Colombian and Dutch governments.

We hosted the Nespresso Sustainability Advisory Board, themed around the circular use of materials. Board members saw our capsule recycling and biogas operations first hand; activities we promote worldwide to unlock the valorization of resources.

WHAT IS NEXT

The Positive Cup 2014-2020 plan will be concluded with the key achievements communicated in a global consumer engagement campaign. The strategic review process, begun in 2018, will also be finalised, resulting in a plan that sets out the direction and goals for the decade ahead.

To engage consumers in topics material to our business, we used our global boutique network, leveraging the Beyond the Bean campaign and Velosophy bicycle collaboration.

Brand ambassador George Clooney fully supported the launch of Cafecito de Puerto Rico in the US market, as part of our Reviving Origins program.

Celebrated chefs continued to enhance their knowledge of AAA coffee, visiting Kenya with the Nespresso Chef Academy. Here they experienced the birthplace of a new exclusive Kenyan coffee, available only to select business customers.

WHAT REALLY MATTERS

To integrate sustainable production into our consumer value proposition

Our focus as a portioned coffee company is ensuring the sustainable production of coffee and aluminium and engaging consumers in the value of sustainable consumption. To achieve this, we need to mobilise everyone in our company, our partners and our consumers behind our sustainability agenda, and to continue innovating for further transformations.

WHAT ARE THE KEY HIGHLIGHTS

We continued engaging consumers in the benefits of sustainable practices, via 2 global awareness campaigns. The Beyond the Bean platform with National Geographic captured stories of AAA coffee farmers. The Second Life campaign demonstrated the circular use of aluminium – showcasing the Velosophy bicycle made from recycled capsules.

The deployment of sustainability activities in line with our 2020 plan continued. This included kickstarting a company-wide project to begin the process of designing our sustainability roadmap for 2030, incorporating a sustainability forum across all business functions and conducting our first quantitative employee survey.

WHAT HAPPENED IN 2019

We continued deploying sustainability activities in line with our plan, with investments broken down as follows: coffee operations including climate adaptation (51%), recycling activities (39%), management and engagement (10%).

The Nespresso Sustainability Innovation Fund (NSIF) invested over CHF 6.6 million into coffee projects in order to amplify operational impact, innovate new solutions and further engage with stakeholders. This brings the cumulative NSIF investment since 2013 to CHF 36.6 million, in turn leveraging CHF 32.2 million from organisations like the World Bank, IDH, Blue Marble, as well as the Colombian and Dutch governments.

We hosted the Nespresso Sustainability Advisory Board, themed around the circular use of materials. Board members saw our capsule recycling and biogas operations first hand; activities we promote worldwide to unlock the valorization of resources.

WHAT IS NEXT

The Positive Cup 2014-2020 plan will be concluded with the key achievements communicated in a global consumer engagement campaign. The strategic review process, begun in 2018, will also be finalised, resulting in a plan that sets out the direction and goals for the decade ahead.

To engage consumers in topics material to our business, we used our global boutique network, leveraging the Beyond the Bean campaign and Velosophy bicycle collaboration.

Brand ambassador George Clooney fully supported the launch of Cafecito de Puerto Rico in the US market, as part of our Reviving Origins program.

Celebrated chefs continued to enhance their knowledge of AAA coffee, visiting Kenya with the Nespresso Chef Academy. Here they experienced the birthplace of a new exclusive Kenyan coffee, available only to select business customers.

WHAT REALLY MATTERS

To integrate sustainable production into our consumer value proposition

Our focus as a portioned coffee company is ensuring the sustainable production of coffee and aluminium and engaging consumers in the value of sustainable consumption. To achieve this, we need to mobilise everyone in our company, our partners and our consumers behind our sustainability agenda, and to continue innovating for further transformations.

WHAT ARE THE KEY HIGHLIGHTS

We continued engaging consumers in the benefits of sustainable practices, via 2 global awareness campaigns. The Beyond the Bean platform with National Geographic captured stories of AAA coffee farmers. The Second Life campaign demonstrated the circular use of aluminium – showcasing the Velosophy bicycle made from recycled capsules.

The deployment of sustainability activities in line with our 2020 plan continued. This included kickstarting a company-wide project to begin the process of designing our sustainability roadmap for 2030, incorporating a sustainability forum across all business functions and conducting our first quantitative employee survey.
“55% of the global coffee production is certified against a voluntary sustainability standard. 20% is procured by the industry.”

Coffee Barometer, Hivos, 2018

**WHAT HAPPENED IN 2019**

The AAA Program now reaches more than 111,000 farmers in 14 countries* and represents an investment of nearly CHF 40 million per year, covering technical assistance and farmer premiums. The proportion of coffee volume certified by the Rainforest Alliance and Fairtrade remained stable, representing around 49% and 7% respectively.

The year was notable for its sharp decline in the market price of coffee, reaching levels not seen since August 2004. In this context and with the support of the Sustainable Food Lab, we joined an IDH global taskforce to explore the establishment of a “living income” for coffee farmers. Our data and knowledge will be crucial in defining the living income gap.

In our Reviving Origins program, 2 important milestones were reached:
- Cuba – a co-investment with the Italian Agency for Development Cooperation was signed, with a goal to support 10,000 farmers
- Mozambique – a Memorandum of Understanding was signed with the Gorongosa National Park to support the local coffee industry through the AAA Program, as part of a landscape conservation initiative.

In Colombia, the Farmer Future programme, providing innovative solutions to protect farmer welfare, continued:
- Crop insurance scheme – developed together with Blue Marble Microinsurance, Columbia University and Agnico; this scheme was expanded from 2,250 to 3,233 farmers in Caldas during the 2019/2020 harvest.
- Retirement savings scheme – 298 of the 1,947 farmers in the Aguadas cooperative, Caldas, took retirement via the scheme.

The 6-month gender equality curriculum for agronomists kicked off with a 3-day workshop in all AAA countries, in collaboration with our partner KIT Royal Tropical Institute from the Netherlands. It included workshop-based exercises, guidance, mentoring and assignments and will be followed up with specific activities at coffee cooperatives with AAA farmers.

**WHAT IS NEXT**

The Reviving Origins program will continue its expansion to total 8 regions* and around 8,000 farmers, including 3 additional countries over 2019. Mozambique will be one of these with a new coffee planned for launch in 2022.

We are currently identifying how we can operationalise a living income for coffee smallholders which we hope to launch in 2021.

A detailed report offering greater transparency on human rights issues within the Nespresso coffee supply chain and the potential for our business to contribute to sustainable development, is due for publication.

In the midst of writing this report in 2020, a child labour allegation was made relating to the Fraijanes region in Guatemala. Our response, detailed investigation and action plan can be seen here: [https://bit.ly/2B3lDMa](https://bit.ly/2B3lDMa)

---

* South Sudan is included within this total although operations are currently on-hold due to unstable conditions following a return to armed conflict.

---

**WHAT ARE THE KEY HIGHLIGHTS**

The Nespresso AAA Sustainable Quality™ Program now accounts for 95% of the total coffee volume delivered to our factories. The proportion from Rainforest Alliance and/or Fairtrade certified farms was maintained at 56%.

We continued our work in Peru to enable the sourcing of our first coffee from organic farming communities. The 2020 launch of Peru Organic reflects the strategic direction of the AAA Program towards more regenerative agricultural practices and offers consumers an exciting new coffee choice.

Our Reviving Origins program, which reinvigorates coffee farming in under-threat regions, added 2 new coffees, from Zimbabwe and Puerto Rico.

---

**WHAT REALLY MATTERS**

To ensure consumer appreciation of sustainable quality coffee

Our coffees are recognised for their exceptional flavour profiles. Behind this is a long-standing commitment to sustainable quality coffee production, which helps improve the resilience of coffee communities and protect vital ecosystems. We are also demonstrating to customers the value of sustainable quality coffee, emphasising the crucial role of farmers in the overall Nespresso experience.

---

**RESILIENT COFFEE FARMS AND COMMUNITIES**

National Geographic photographer Rena Effendi with AAA farmer Yolanda Fernando Pavonnes Mitoa, in recognition of the Beyond the Bean initiative.
WHAT ARE THE KEY HIGHLIGHTS

The Nespresso capsule recycling programme is now available in 57 countries. 8 of these fall under the Packaging Recovery Organisation (PRO) umbrella, which means consumers can simply dispose of their capsules alongside their household packaging recycling. In 33 countries, capsules can also be conveniently collected from home by postal workers.

The actual capsule recycling rate is estimated at 30% (up 2.5 percentage points vs. 2018), for a total 2019 investment of CHF 55 million. We reached a major milestone by opening the first PRO recovery system in France – 19 million people (30% of the population) can now dispose of all their capsules within existing household recycling systems improved in 4 countries:

- France – 19 million people (50% of the population) can now dispose of all their small metal packaging in their recycling bin thanks to Nespresso and CELAA, with a target for 30 million (50% of the population) by 2022

WHAT HAPPENED IN 2019

In 28 of our markets, a convenient recycling option was available to 100% of consumers, thanks to solutions displayed in new growth areas. The overall global recycling capacity was 91%.

The 2020 target of providing 100% of consumers with a convenient recycling solution remains a challenge due to both legal constraints and the insufficient national infrastructure in many markets.

However, we invested a further CHF 16 million in the year and the recycling rate rose by a further 2.5 percentage points. This was largely due to continued efforts to encourage capsule recycling through global communication campaigns spanning 50 markets - as well as local valorization initiatives together with organisations in the energy, composting and food sectors.

The compatibility of aluminium coffee capsules within existing household recycling systems improved in 4 countries:

- France – 19 million people (50% of the population) can now dispose of all their small metal packaging in their recycling bin thanks to Nespresso and CELAA, with a target for 30 million (50% of the population) by 2022

WHAT IS NEXT

To create a viable circular economy solution for all aluminium capsules, we aim to share our dedicated recycling infrastructure with other aluminium capsule manufacturers with the aim of driving up the recycling rate across the entire industry. Collaborations were subsequently announced with JDE in France and Delica AG in Switzerland.

We also validated the operational feasibility of not only producing capsules using recycled aluminium but also using recycled aluminium from wider sources and on a much larger scale.

WHAT REALLY MATTERS

To promote sustainable production and the circular use of aluminium

We work proactively with civil society and supply chain stakeholders to tackle the upstream challenges of sustainable aluminium production for the primary aluminium we use. Equally, we work at national and municipal level to maximise the circular potential of capsules after use, thereby increasing secondary aluminium use.

WHAT ARE THE KEY HIGHLIGHTS

The Nespresso capsule recycling programme is now available in 57 countries. 8 of these fall under the Packaging Recovery Organisation (PRO) umbrella, which means consumers can simply dispose of their capsules alongside their household packaging recycling. In 33 countries, capsules can also be conveniently collected from home by postal workers.

The actual capsule recycling rate is estimated at 30% (up 2.5 percentage points vs. 2018), for a total 2019 investment of CHF 55 million. We reached a major milestone by opening the first PRO recovery system in France – 19 million people (30% of the population) can now dispose of all their capsules within existing household recycling systems improved in 4 countries:

- France – 19 million people (50% of the population) can now dispose of all their small metal packaging in their recycling bin thanks to Nespresso and CELAA, with a target for 30 million (50% of the population) by 2022

WHAT HAPPENED IN 2019

In 28 of our markets, a convenient recycling option was available to 100% of consumers, thanks to solutions displayed in new growth areas. The overall global recycling capacity was 91%.

The 2020 target of providing 100% of consumers with a convenient recycling solution remains a challenge due to both legal constraints and the insufficient national infrastructure in many markets.

However, we invested a further CHF 16 million in the year and the recycling rate rose by a further 2.5 percentage points. This was largely due to continued efforts to encourage capsule recycling through global communication campaigns spanning 50 markets - as well as local valorization initiatives together with organisations in the energy, composting and food sectors.

The compatibility of aluminium coffee capsules within existing household recycling systems improved in 4 countries:

- France – 19 million people (50% of the population) can now dispose of all their small metal packaging in their recycling bin thanks to Nespresso and CELAA, with a target for 30 million (50% of the population) by 2022

WHAT IS NEXT

To create a viable circular economy solution for all aluminium capsules, we aim to share our dedicated recycling infrastructure with other aluminium capsule manufacturers with the aim of driving up the recycling rate across the entire industry. Collaborations were subsequently announced with JDE in France and Delica AG in Switzerland.

We also validated the operational feasibility of not only producing capsules using recycled capsules but also using recycled aluminium from wider sources and on a much larger scale.
The regions where we source our high quality coffees are particularly vulnerable to the adverse effects of climate change. We are working together with farmers and other partners to build resilience into AAA farming landscapes. Equally, we recognise our responsibility to continuously improve the environmental performance of a Nespresso cup of coffee.

**WHAT ARE THE KEY HIGHLIGHTS**

We continued efforts to reduce emissions per cup, achieving a 23% reduction vs. the 2009 baseline, as well as inserting around 10% of the remaining global emissions using agroforestry. This paves the way to our net zero trajectory.

Since 2014, we have invested around CHF 13 million planting over 4.5 million trees across Colombia, Guatemala, Ethiopia, Kenya, Indonesia, Uganda, Costa Rica, Nicaragua and Brazil. This is an increase of 1 million trees over 2018.

Major coffee brands, including Nestlé and Lavazza, and coffee cooperative Expocaccer, joined forces to financially support the Cerrado das Aguas Consortium, an independent public-private platform seeking to safeguard biodiversity and water supplies in Brazil’s central highland plains. This 5-year commitment accelerates the work started in 2013 by Nespresso and led by IUCN, to promote integrated actions in a watershed highly affected by climate change. This support was matched by a grant of USD 400,000, the largest to date from the Critical Ecosystem Partnership Fund (CEPF).

**WHAT HAPPENED IN 2019**

We continued to drive the decarbonisation of our value chain – increasing the emissions reduction per cup versus 2009 by 1 percentage point. This was achieved despite significant retail and consumption expansion in countries with a non-renewable electricity mix, and a delay in low carbon ASI procurement.

Eco design efforts were implemented, with new machine boxes incorporating fully recyclable packaging made of 95% recycled materials and the minimal use of polystyrene and plastics.

Our residual operational emissions (Scope 1 and 2) continued to be fully inset via nature-based solutions, such as agroforestry which acts as a carbon sink within AAA landscapes. As a result, Nespresso maintained the carbon neutrality of its operations. In France, full scope carbon neutrality was achieved.

Beyond planting an additional 1 million trees in the year, our climate-smart, low carbon approach to farming celebrated 3 major achievements:

- Investment programme – a programme supporting “conscious producers”
- BioCarbon Fund Initiative for Sustainable Forest Landscapes – launched in Oromia, Ethiopia supporting 40,000 farmers and 200 wet mills in the adoption of good agricultural practices and land use management, to enable reduced emissions
- Global Environment Facility (GEF) Challenge Program for Adaptation Innovation – selected our initiative to fund climate-smart interventions in the Democratic Republic of Congo and Uganda, benefiting around 7,000 smallholders

We also partnered with the Laboratory of Ornithology of Cornell University to quantify the impact of AAA activities on biodiversity, using birds as an indicator. This exploration will complement the work carried out with IUCN on planning and monitoring biodiversity performance.

**WHAT IS NEXT**

Nespresso is currently defining its roadmap for climate reduction and removal actions to align with Nestlé’s pledge for net zero emissions by 2050.

Further expansion of the use of recycled packaging materials for machines will continue.

We will consolidate learnings from various climate-smart, low carbon initiatives. This will include leveraging the Gold Standard taskforce on value chain interventions, including accounting protocols and the soil organic carbon framework – helping substantiate future reduction and removal activities.

With the support of IUCN, we are developing a framework using the Pressure-State-Response-Benefit (PSRB) model to improve planning and monitoring of the impact of our activities on biodiversity.

**WHAT REALLY MATTERS**

To take consistent actions in our value chain to address the causes and consequences of climate change

The regions where we source our high quality coffees are particularly vulnerable to the adverse effects of climate change. The new eco-packaging for our machine range

---

**INTEGRATED ACTIONS ON CLIMATE CHANGE**

---

The Instagram account led by Cornell University shares observations of birds on AAA farms in Costa Rica, a country where agroforestry is deployed.

---

**WHAT HAPPENED IN 2019**

We continued to drive the decarbonisation of our value chain – increasing the emissions reduction per cup versus 2009 by 1 percentage point. This was achieved despite significant retail and consumption expansion in countries with a non-renewable electricity mix, and a delay in low carbon ASI procurement.

Eco design efforts were implemented, with new machine boxes incorporating fully recyclable packaging made of 95% recycled materials and the minimal use of polystyrene and plastics.

Our residual operational emissions (Scope 1 and 2) continued to be fully inset via nature-based solutions, such as agroforestry which acts as a carbon sink within AAA landscapes. As a result, Nespresso maintained the carbon neutrality of its operations. In France, full scope carbon neutrality was achieved.

Beyond planting an additional 1 million trees in the year, our climate-smart, low carbon approach to farming celebrated 3 major achievements:

- Investment programme – a programme supporting “conscious producers”
- BioCarbon Fund Initiative for Sustainable Forest Landscapes – launched in Oromia, Ethiopia supporting 40,000 farmers and 200 wet mills in the adoption of good agricultural practices and land use management, to enable reduced emissions
- Global Environment Facility (GEF) Challenge Program for Adaptation Innovation – selected our initiative to fund climate-smart interventions in the Democratic Republic of Congo and Uganda, benefiting around 7,000 smallholders

We also partnered with the Laboratory of Ornithology of Cornell University to quantify the impact of AAA activities on biodiversity, using birds as an indicator. This exploration will complement the work carried out with IUCN on planning and monitoring biodiversity performance.

**WHAT IS NEXT**

Nespresso is currently defining its roadmap for climate reduction and removal actions to align with Nestlé’s pledge for net zero emissions by 2050.

Further expansion of the use of recycled packaging materials for machines will continue.

We will consolidate learnings from various climate-smart, low carbon initiatives. This will include leveraging the Gold Standard taskforce on value chain interventions, including accounting protocols and the soil organic carbon framework – helping substantiate future reduction and removal activities.

With the support of IUCN, we are developing a framework using the Pressure-State-Response-Benefit (PSRB) model to improve planning and monitoring of the impact of our activities on biodiversity.
2019 Status of our 2020 Goals

2020 Goals

**Company**
- Invest CHF 500 million in The Positive Cup (2014-2020)
- Empower everyone in our company to contribute to our sustainability agenda (cumulative since 2017)
- Catalyse innovation through the Nespresso Sustainability Innovation Fund

<table>
<thead>
<tr>
<th>2019 Achievements</th>
<th>2018 Achievements</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHF 4.7 million</td>
<td>CHF 3.66 million</td>
<td>On track for 2020</td>
</tr>
<tr>
<td>Over 6.35 employees experienced the AAA Program in origin countries</td>
<td>Over 4.91 employees experienced the AAA Program in origin countries</td>
<td>On track for 2020</td>
</tr>
<tr>
<td>7 projects co-funded in the NSIF CHF 32.2 million additional capital from partners</td>
<td>7 projects co-funded in the NSIF CHF 29.8 million additional capital from partners</td>
<td>Not on track for 2020</td>
</tr>
</tbody>
</table>

**Coffee**
- Source towards 100% of our permanent coffees through the AAA Sustainable Quality™ Program
- Expand our value proposition to rare origins (cumulative)
- Pursue innovative solutions to better livelihoods for farmers

<table>
<thead>
<tr>
<th>2019 Achievements</th>
<th>2018 Achievements</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>95.0% AAA sourced coffee</td>
<td>95.9% AAA sourced coffee</td>
<td>On track for 2020</td>
</tr>
<tr>
<td>Over 1.53% (vs. 2014)</td>
<td>12.1% (vs. 2014)</td>
<td>On track for 2020</td>
</tr>
<tr>
<td>5 origins: Cuba, Puerto Rico, Caquetá, Zimbabwe, South Sudan</td>
<td>3 origins: Cuba, Caquetá, South Sudan</td>
<td>On track for 2020</td>
</tr>
<tr>
<td>Over CHF 6.6 million in innovative solutions</td>
<td>CHF 4.6 million in innovative solutions</td>
<td>On track for 2020</td>
</tr>
</tbody>
</table>

**Aluminium**
- Offer convenient recycling solutions to all our consumers
- Continue to increase capsule recycling rate
- Unlock the circular use of aluminium
- Source “ASI certified” aluminium towards 100%

<table>
<thead>
<tr>
<th>2019 Achievements</th>
<th>2018 Achievements</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>91.0% collection capacity</td>
<td>92.0% collection capacity</td>
<td>On track for 2020</td>
</tr>
<tr>
<td>+15.3% (vs. 2009)</td>
<td>+12.8% (vs. 2009)</td>
<td>On track for 2020</td>
</tr>
<tr>
<td>12.0% Vertuo line made out of recycled capsules</td>
<td>12% Vertuo line made out of recycled capsules</td>
<td>On track for 2020</td>
</tr>
<tr>
<td>Recycled aluminium suppliers identified for ASI certification</td>
<td>Nespresso factories certified ASI MOU signed with Rio Tinto for ASI certified supply</td>
<td>Not on track for 2020</td>
</tr>
</tbody>
</table>

**Climate**
- Reduce the carbon footprint of a cup of Nespresso by 28.0% vs. 2009
- Inset 100% of our company’s operational carbon footprint (Scope 1 and 2 GHG emissions equivalent to the global volume of capsules sold)
- Strengthen coffee landscape resilience through extensive tree planting towards 5 million

<table>
<thead>
<tr>
<th>2019 Achievements</th>
<th>2018 Achievements</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>23%</td>
<td>22.0%</td>
<td>On track for 2020</td>
</tr>
<tr>
<td>100% inset</td>
<td>100% inset</td>
<td>On track for 2020</td>
</tr>
<tr>
<td>4.5 million trees planted</td>
<td>Over 3.5 million trees planted</td>
<td>On track for 2020</td>
</tr>
</tbody>
</table>

1. Forms part of the investment in coffee operations reported on page 16.
## THE POSITIVE CUP SCOPE AND PERFORMANCE OVERVIEW

### COFFEE

<table>
<thead>
<tr>
<th>Indicators</th>
<th>GRI indicator</th>
<th>SDG targets*</th>
<th>2019</th>
<th>2018</th>
<th>Baseline</th>
<th>Baseline date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in coffee operations (in CHF, cumulative)</td>
<td>G4-EC7</td>
<td>203-1</td>
<td>13.7</td>
<td>15.5</td>
<td>229,543</td>
<td>185,159</td>
</tr>
<tr>
<td>Number of AAA agronomists</td>
<td>GA-10</td>
<td>302-1</td>
<td>55</td>
<td>33.0%</td>
<td>33.0%</td>
<td>33.0%</td>
</tr>
<tr>
<td>Number of farmers enrolled in AAA Program</td>
<td>G4-EN1</td>
<td>304-1</td>
<td>4,000</td>
<td>3,800</td>
<td>1,947</td>
<td>1,502</td>
</tr>
<tr>
<td>Percentage volume sourced from the AAA Program</td>
<td>G4-FP2</td>
<td>15.7</td>
<td>15.7</td>
<td>1.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Percentage volume in accordance with responsible production standards</td>
<td>G4-EN1</td>
<td>304-1</td>
<td>3,800</td>
<td>3,800</td>
<td>1,947</td>
<td>1,502</td>
</tr>
</tbody>
</table>

### ALUMINIUM

<table>
<thead>
<tr>
<th>Indicators</th>
<th>GRI indicator</th>
<th>SDG targets*</th>
<th>2019</th>
<th>2018</th>
<th>Baseline</th>
<th>Baseline date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in collection and recycling systems (in CHF, cumulative)</td>
<td>G4-EC7</td>
<td>203-1</td>
<td>12.2</td>
<td>14.2</td>
<td>184,636</td>
<td>129,343</td>
</tr>
<tr>
<td>Number of markets with capsule recycling solutions</td>
<td>G4-EN</td>
<td>301-1</td>
<td>84</td>
<td>80</td>
<td>8</td>
<td>2009</td>
</tr>
<tr>
<td>Capsule collection capacity</td>
<td>G4-EN</td>
<td>301-1</td>
<td>14,241</td>
<td>14,354</td>
<td>580</td>
<td>2005</td>
</tr>
<tr>
<td>Percentage of ASI certified aluminium purchased</td>
<td>G4-EN</td>
<td>301-1</td>
<td>0%</td>
<td>0%</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>Used capsule valorization</td>
<td>G4-EN</td>
<td>301-1</td>
<td>54%</td>
<td>54%</td>
<td>2014</td>
<td></td>
</tr>
</tbody>
</table>

### CLIMATE

<table>
<thead>
<tr>
<th>Indicators</th>
<th>GRI indicator</th>
<th>SDG targets*</th>
<th>2019</th>
<th>2018</th>
<th>Baseline</th>
<th>Baseline date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in climate adaptation solutions (in CHF, cumulative)</td>
<td>G4-EC7</td>
<td>203-1</td>
<td>15.2</td>
<td>15.3</td>
<td>184,636</td>
<td>129,343</td>
</tr>
<tr>
<td>Carbon footprint reduction per cup of Nespresso</td>
<td>G4-EN</td>
<td>301-1</td>
<td>84</td>
<td>80</td>
<td>8</td>
<td>2009</td>
</tr>
<tr>
<td>Number of trees planted within AAA landscapes (in CHF, cumulative)</td>
<td>G4-EN</td>
<td>301-1</td>
<td>4,500</td>
<td>3,700</td>
<td>130</td>
<td>2009</td>
</tr>
<tr>
<td>Total on site water withdrawal (m3 per ton of product)</td>
<td>G4-EN</td>
<td>303-1</td>
<td>1.5</td>
<td>1.5</td>
<td>2.0</td>
<td>2009</td>
</tr>
<tr>
<td>Total on site energy consumption (Gigajoules per ton of product)</td>
<td>G4-EN</td>
<td>303-1</td>
<td>8.4</td>
<td>12.2</td>
<td>2</td>
<td>2009</td>
</tr>
<tr>
<td>Direct and indirect GHG emissions (kg CO2 per ton of product, Scope 1 and 2)</td>
<td>G4-EN</td>
<td>305-4</td>
<td>8.4</td>
<td>12.2</td>
<td>0</td>
<td>2009</td>
</tr>
</tbody>
</table>

* Refers to the targets defined under the UN Sustainable Development Goal framework.

1. Average of the indicator monitored on 40 countries. In 2019, the monitoring of this indicator was stopped.
2. This figure includes South Sudan, where operations are currently on hold due to unstable conditions following a return to armed conflict.
3. The volume includes the volume with full traceability to farm (85.9%) and the African volume with mass balance traceability (9.1%).
4. The assessment was carried out in Colombia only. The outcome showed that around 10% of farms were within High Conservation Value areas.
5. Reporting boundary includes only Nespresso factories.

Restatement: amendments in the reporting for continuous improvement

5 Baseline: The figures were restated to the 2010 baseline.
6 Investments: 2016 report and baseline restated based on adjustments of financial assumptions, e.g. exchange rate.
INDEPENDENT ASSURANCE STATEMENT

Introduction and objectives of work
Bureau Veritas UK Ltd (Bureau Veritas) has been engaged by Nestlé Nespresso S.A (Nespresso) to provide limited assurance over selected sustainability performance indicators for inclusion in the Nespresso Creating Shared Value Report 2019 Status and 2020 outlook - The Positive Cup (the Report). This Assurance Statement applies to the related information included within the scope of work described below.

Scope of assurance
The scope of our work was limited to assurance over the following content included within the Report for the period 1st January 2019 to the 31st December 2019 (the “Selected Information”):

1. Data and information included in the section, Key Highlights 2019 on pages 4-5.
2. Progress reported against 2020 goals and the Performance overview for the reporting period on pages 15-17.
3. The processes relating to:
   a. Monitoring and data capture for the collection and recycling of used coffee pods.
   b. Estimating the product lifecycle emissions per cup of Nespresso.

Reporting criteria
The Selected Information has been prepared in accordance with internal definitions set for Nespresso’s 2020 Goals. These definitions are aligned with internationally acceptable definitions of the relevant indicators, such as those established by the Global Reporting Initiative.

Limitations and exclusions
The scope of our work does not include any verification of information relating to:

- Quantitative data relating to capsule collection capacity, capsule valorization, capsule recycling rate and activity data used to calculate lifecycle carbon footprint reduction and data behind the model used to calculate lifecycle carbon footprint reduction.
- Positional statements (expressions of opinion, belief, aim or future intention by Nespresso) and statements of future commitment.
- Any other information included in Nespresso’s Report outside the defined scope and reporting period above.

This limited assurance engagement relies on a risk-based selected sample of sustainability data and the associated limitations that this entails.

Our work was limited to head office based activities and understanding how Nespresso consolidates and reconciles data provided by local markets/countries. The reliability of the reported data is dependent on the accuracy of data collection and monitoring arrangements at market/site level, not addressed as part of this assurance.

This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

Responsibilities
The preparation and presentation of the Selected Information in the Report are the sole responsibility of the management of Nespresso.

Bureau Veritas was not involved in the drafting of the Report. Our responsibilities were to:

- Obtain limited assurance about whether the Selected Information has been prepared in accordance with internationally acceptable definitions of the relevant indicators.
- Form an independent conclusion based on the assurance procedures performed and evidence obtained.
- Report our conclusions and findings to the Nespresso’s management in the form of a Management Report.

Assessment standard
We performed our work in accordance with the requirements of the International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (effective for assurance reports dated on or after December 15, 2015).

Our conclusions are for ‘limited’ assurance as set out in ISAE 3000.

Summary of work performed
As part of our independent verification, we undertook the following activities:

- Examined the data collection and consolidation processes used to compile the Selected Information, including assumptions made, and the data scope and reporting boundaries.
- Conducted interviews with relevant personnel from Nespresso Head Office.
- Reviewed documentary evidence provided by Nespresso on a sample basis.
- Re-performed a selection of aggregation calculations of the Selected Information.
- Assessed the disclosure and presentation of the Selected Information to ensure consistency with assured information.

Further detailed recommendations are provided to Nespresso in the form of an Internal Management Report.

Conclusion
On the basis of our methodology, scope of the work and the activities described above, nothing has come to our attention to indicate that the Selected Information are not fairly stated in all material respects, according to the Assessment Criteria and subject to the Limitations set out in the sections above.

Bureau Veritas operates a certified Quality Management System which complies with the requirements of ISO 9001:2015, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA), across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and high ethical standards in their day-to-day business activities.

The assurance team for this work conducted the verification independently and to our knowledge does not have any conflict of interest due to any other Bureau Veritas projects with Nespresso.

Statement of independence, integrity and competence
Bureau Veritas is an independent, professional services company that specialises in quality, environmental, health, safety and social accountability with over 190 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified Quality Management System which complies with the requirements of ISO 9001:2015, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA), across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and high ethical standards in their day-to-day business activities.

The assurance team for this work conducted the verification independently and to our knowledge does not have any conflict of interest due to any other Bureau Veritas projects with Nespresso.

Certificate available on request.


Bureau Veritas UK Ltd
London
05 June 2020
Ref: BV_Nespresso_7646458